

AMENDED IN SENATE JUNE 18, 2008

AMENDED IN ASSEMBLY MAY 23, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

## ASSEMBLY BILL

**No. 2026**

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**Introduced by Assembly Member Levine**

February 15, 2008

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*An act to add Article 18 (commencing with Section 19990) to Chapter 5 of Division 8 of the Business and Professions Code, relating to gaming.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 2026, as amended, Levine. Gaming.

The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities by the California Gambling Control Commission. Existing law provides for the enforcement of those regulations by the Department of Justice. *Any violation of these provisions is punishable as a misdemeanor, as specified.*

~~This bill would direct the California Gambling Control Commission, in conjunction with the Department of Justice, to perform a study and report its findings to the Legislature by June 30, 2009, regarding authorizing intrastate Internet poker that could only be operated by gambling establishments that have 80 or more tables, as specified. The bill would specify that the cost of the study would be paid for by a special assessment levied by the California Gambling Control Commission on gambling establishments that have 80 or more tables require the Bureau of Gambling Control within the Department of Justice to adopt regulations, in consultation with the California Gambling Control Commission, on or before July 1, 2009, governing~~

*the intrastate play of various Internet poker games to be offered by licensed gambling establishments, as specified. The bill would require licensed gambling establishments to register with the commission to engage in intrastate Internet poker games on their Web sites, and would authorize the commission to charge a registration fee. Because any violation of these provisions would be punishable as a misdemeanor, the bill would impose a state-mandated local program by creating a new crime.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Article 18 (commencing with Section 19990) is  
2     added to Chapter 5 of Division 8 of the Business and Professions  
3     Code, to read:

4  
5                     Article 18. Internet Gambling  
6

7     19990. The Legislature finds and declares the following:

8     (a) Leading gaming consultants estimate that in 2005 United  
9     States citizens wagered four billion dollars (\$4,000,000,000) online  
10    at off-shore, non-United States Internet gambling Web sites and  
11    that every week more than 1,000,000 California citizens play poker  
12    on the Internet.

13    (b) Currently, 2,300 Internet gambling Web sites operate outside  
14    the United States, unregulated by any United States governmental  
15    entity. Questions often arise about the honesty and the fairness of  
16    the games played on these Internet Web sites, and about the true  
17    purpose for, and use of, proceeds generated by these unregulated  
18    Internet Web sites.

19    (c) In 2006, Congress passed and the President signed the  
20    Unlawful Internet Gambling Enforcement Act of 2006 (Public Law  
21    109-347); hereafter UIGEA. While UIGEA prohibits the use of

1 *banking instruments, such as credit cards, checks, or fund transfers*  
2 *for interstate Internet gambling, it has not eliminated illegal,*  
3 *unregulated Internet gambling, nor has it provided any increased*  
4 *protection for participants.*

5 *(d) Congress included specific provisions in the UIGEA for*  
6 *individual states to permit Internet gambling, despite the concern*  
7 *that underage persons were gambling, because Congress*  
8 *recognized that the states could establish a means of preventing*  
9 *underage Internet gambling.*

10 *(e) It is in the best interest of the state and its citizens to permit*  
11 *licensed gambling establishments to operate government-regulated*  
12 *Internet poker wagering Web sites because Californians can be*  
13 *assured that the poker games they are playing are honest and that*  
14 *winners are paid.*

15 *1999I. (a) On or before July 1, 2009, the Bureau of Gambling*  
16 *Control within the Department of Justice shall adopt regulations,*  
17 *in consultation with the Gambling Control Commission, governing*  
18 *the play of various poker games on the Internet to provide*  
19 *Californians with the same protections they enjoy while playing*  
20 *in gambling establishments licensed under this chapter. The*  
21 *purpose of this article is to provide a legal alternative to the illegal*  
22 *gambling currently conducted on the Internet. Therefore, nothing*  
23 *in this article, which authorizes Internet activities for licensed*  
24 *gambling establishments, shall be construed to expand*  
25 *“gambling,” as used in Article 13 (commencing with Section*  
26 *19960).*

27 *(b) The regulations adopted pursuant to subdivision (a) shall*  
28 *require all of the following:*

29 *(1) A licensed gambling establishment shall offer intrastate*  
30 *Internet poker pursuant to this article only on a network approved*  
31 *by the commission containing Internet Web sites that are registered*  
32 *with the commission to offer that service. A licensed gambling*  
33 *establishment shall not offer Internet poker independent of that*  
34 *network.*

35 *(2) A player shall present evidence of a government issued*  
36 *identification that indicates the person is at least 21 years of age*  
37 *and a resident of California. After presenting identification, a*  
38 *player may open an Internet account and be registered to play on*  
39 *the Internet with a gambling establishment licensed in California*  
40 *pursuant to this article.*

1     (3) A licensed gambling establishment offering Internet poker  
2 shall provide registered players, in person, with information on  
3 problem gambling, including a card that displays a 24-hour  
4 problem gambling hotline telephone number.

5     (4) A licensed gambling establishment's Internet Web site shall  
6 contain information relating to problem gambling, including a  
7 telephone number that an individual may call to seek information  
8 and assistance for a potential gambling addiction.

9     (5) Each Internet Web site shall utilize the services of an  
10 approved, independent third party to perform identification,  
11 residence, and age verification services for persons establishing  
12 an account.

13     (6) The games shall be honest and fair.

14     (7) Each licensed gambling establishment conducting Internet  
15 poker games shall register with the commission.

16     (8) Each Internet Web site shall utilize personal identification  
17 numbers and other technology so that only the accountholder has  
18 access to the wagering account.

19     (9) Each Internet Web site shall provide for withdrawals from  
20 the wagering account only by check, made payable to the account  
21 holder and sent to the address of the accountholder, or by an  
22 electronic transfer to an account held by the verified  
23 accountholder. The account holder may withdraw funds from the  
24 wagering account at a gambling establishment by presenting  
25 verifiable personal and account information.

26     (10) Each licensed gambling establishment shall allow the  
27 bureau access to its premises to visit, investigate, and place expert  
28 accountants, and other persons it deems necessary to ensure strict  
29 compliance with its regulations concerning credit authorization,  
30 account access, and other security provisions.

31     (11) Each Internet Web site shall require an individual, when  
32 opening an account, to place a limitation on the amount of funds  
33 that may be transferred into that account within a 24-hour period.  
34 The Internet Web site shall adopt procedures to ensure that the  
35 player may not deposit more funds into the account than the  
36 amount specified on the application. If, after the account is open,  
37 an individual wishes to increase the amount of funds that may be  
38 transferred, the Internet Web site may increase the amount after  
39 obtaining the appropriate identification. However, that increase  
40 shall not be effective until 48 hours after the change is requested.

1 (12) A licensed gambling establishment shall conduct the  
2 Internet poker games in a manner similar to the conduct of other  
3 games played in their establishments. Only those poker games  
4 approved for play within the licensed gambling establishment may  
5 be offered for play on the gambling establishment's Internet Web  
6 site. The licensed gambling establishment may collect fees from  
7 players in the poker games pursuant to the player fee collection  
8 methods approved for use within the licensed gambling  
9 establishment.

10 19992. After the regulations required by subdivision (a) of  
11 Section 19991 have been adopted by the bureau pursuant to the  
12 Administrative Procedure Act (Chapter 3.5 (commencing with  
13 Section 11340) of Part 1 of Division 3 of Title 2 of the Government  
14 Code), a licensed gambling establishment desiring to offer  
15 intrastate Internet poker shall register with the commission to  
16 engage in that activity. The bureau shall charge the licensed  
17 gambling establishment a registration fee.

18 SEC. 2. No reimbursement is required by this act pursuant to  
19 Section 6 of Article XIII B of the California Constitution because  
20 the only costs that may be incurred by a local agency or school  
21 district will be incurred because this act creates a new crime or  
22 infraction, eliminates a crime or infraction, or changes the penalty  
23 for a crime or infraction, within the meaning of Section 17556 of  
24 the Government Code, or changes the definition of a crime within  
25 the meaning of Section 6 of Article XIII B of the California  
26 Constitution.

27 ~~SECTION 1. The California Gambling Control Commission,~~  
28 ~~in conjunction with the Department of Justice, shall perform a~~  
29 ~~study and report its findings to the Legislature by June 30, 2009,~~  
30 ~~regarding authorizing intrastate Internet poker that could only be~~  
31 ~~operated by gambling establishments that have 80 or more tables,~~  
32 ~~pursuant to the federal Unlawful Internet Gambling Enforcement~~  
33 ~~Act of 2006. The study shall include, but not be limited to, the~~  
34 ~~following subjects: regulatory oversight and licensing,~~  
35 ~~technological issues, underage and problem gambling matters,~~  
36 ~~methods of play and types of games that may be legally offered,~~  
37 ~~and the means by which those games and forms of gambling may~~  
38 ~~be conducted and operated.~~

- 1    ~~The cost of the study shall be paid for by a special assessment~~
- 2    ~~levied by the California Gambling Control Commission on~~
- 3    ~~gambling establishments that have 80 or more tables.~~